

Message Text

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FOR COMMERCE

E.O. 11652: N/A

TAGS: ENRG, ETRD, RO

SUBJ: TRADE INQUIRY: COKING COAL

1. DURING CALL AT MIN FOREIGN TRADE BY CHARGE AND ECON/COMM OFFICER ON OTHER MATTERS, DIRECTOR FOR NORTH AND SOUTH AMERICAN AFFAIRS BUTNARU BROUGHT UP WHAT HE DESCRIBED AS " A DELICATE MATTER." HE EXPLAINED TO CHARGE THAT GOR WOULD BE INTERESTED IN A COOPERATIVE VENTURE WITH AN AMERICAN FIRM UNDER LONG-TERM CONTRACT OF 10 TO 15 YEARS TO PROVIDE ROMANIA WITH FIXED SUPPLY OF TWO MILLION TONS COKING COAL PER YEAR. GOR WOULD CONSIDER CAPITAL INVESTMENT IN US FORMING JOINT COMPANY TO UNDERTAKE THIS PROGRAM. ROMANIANS WOULD ALSO BE INTERESTED IN A JOINT MARKETING ARRANGEMENT WHEREBY A LARGER CONTRACTED AMOUNT WOULD BE SOLD TO THIRD COUNTRIES (UNNAMED BY MIN FOREIGN TRADE OFFICIAL). BUTNARU ASKED THAT WE MAKE PRIVATE DIRECT INQUIRIES WITH US FIRMS AND NOT REPEAT NOT PUBLISH OR OTHERWISE ADVERTISE FACT THAT ROMANIA IS SEEKING THIS ARRANGEMENT WITH U.S.

2. IN SUBSEQUENT CONVERSATION SEVERAL POINTS WERE MADE WHICH AT LEAST PARTIALLY EXPLAIN REASONS FOR SPECIAL HANDLING OF THIS

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REQUEST.

A) ROMANIA, WHICH HAS HAD A CHRONIC SHORTAGE OF RAW MATERIALS FOR ITS IRON AND STEEL INDUSTRY, IMPORTS ALMOST ALL OF ITS REQUIREMENTS OF COKING COAL, AND MOST OF IT COMES FROM EAST EUROPEAN SOURCES, SOVIET UNION AND POLAND. LONG-TERM CONTRACT OF THIS SIZE WOULD NOT ONLY SWITCH MAJOR SOURCE FROM EAST TO WEST BUT WOULD MAKE US PRIME SUPPLIER.

B) ROMANIA IS STILL SENSITIVE OVER PUBLICITY CONCERNING APPARENT SHORTAGES OF RAW MATERIALS WHICH COULD THREATEN HIGHLY TOUTED EFFORTS TO COMPLETE FIVE YEAR PLAN AHEAD OF TIME. THIS IS ESPECIALLY SO IN SUCH BASIC INDUSTRY AS IRON AND STEEL.

C) ACCORDING TO GOR OFFICIAL, ROMANIA HAS NOT BEEN PLEASED WITH QUALITY OF COKING COAL SHIPPED BY SOVIET UNION AND POLAND. ALSO, NEED FOR SHIPMENTS FROM SEVERAL SOURCES HAS RESULTED IN IRREGULAR DELIVERIES AND PROBABLY OCCASIONAL SHORTAGES. ROMANIANS ARE APPARENTLY NOW WILLING TO ASSUME RESPONSIBILITY OF TYING ITSELF TO ONE MAJOR WESTERN SOURCE TO ASSURE LONG TERM, STEADY SUPPLY OF HIGH QUALITY MATERIAL.

3. WE RECOMMEND THAT DEPARTMENT DIRECTLY CONTACT INDIVIDUAL US FIRMS CAPABLE OF CONCLUDING SUCH A CONTRACT (PERHAPS SUCH FIRMS AS PITTSTON) TO DETERMINE INTEREST IN THIS PROJECT. WE ALSO FEEL THAT IT IS TO OUR ADVANTAGE TO BE CIRCUMSPECT IN HANDLING THIS INQUIRY, AS REQUESTED BY ROMANIAN GOVERNMENT OFFICIALS, ESPECIALLY IN THE INITIAL STAGES OF EXAMINING FEASIBILITY AND DESIRABILITY OF THIS PROJECT IN TERMS OF US INTERESTS.

4. SHOULD SUCH AN ARRANGEMENT BECOME COMMERCIALY FEASIBLE THERE WOULD BE, NEEDLESS TO SAY, ADDED ADVANTAGE OF ENCOURAGING LONG-TERM TREND OF ROMANIAN POLITICAL AS WELL AS ECONOMIC INDEPENDENCE.
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